This chapter continues to reveal the role of marketing, starting with a discussion of the distribution system and concluding with a look at traditional and nontraditional marketing channels. It explores how organizations use a distribution system to enhance the value of a product and examines the methods used to move products to locations where consumers wish to buy them. Distribution is also known as "place" in terms of the **5Ps**, key components of the marketing mix. It is important to have an understanding of the members of a distribution system and to explore the role of wholesalers and retailers in delivering products to customers. In addition to understanding how the supply chain works to increase efficiency and customer satisfaction, marketers must also develop tactics for promotion, the last element of the marketing mix. Promotion is comprised of six parts, which include traditional advertising, sales promotion, personal selling, public relations, social media, and e-commerce.

12.1 The Nature and Functions of Distribution (Place)

1. What is the nature and function of distribution (place)?

Distribution is efficiently managing the acquisition of raw materials by the factory and the movement of products from the producer or **manufacturer** to business-to-business (B2B) users and consumers. It includes many facets, such as location, hours, website presence, logistics, atmospherics, inventory management, supply-chain management, and others. Logistics activities are usually the responsibility of the marketing department and are part of the large series of activities included in the supply chain. A supply chain is the system through which an organization acquires raw material, produces products, and delivers the products and services to its customers. **Exhibit 12.2** illustrates a typical supply chain. Supply chain management helps increase the efficiency of logistics service by minimizing inventory and moving goods efficiently from producers to the ultimate users.
On their way from producers to end users and consumers, products pass through a series of marketing entities known as a **distribution channel**. We will look first at the entities that make up a distribution channel and then examine the functions that channels serve.

Marketing Intermediaries in the Distribution Channel

A distribution channel is made up of **marketing intermediaries**, or organizations that assist in moving goods and services from producers to end users and consumers. Marketing intermediaries are in the middle of the distribution process, between the producer and the end user. The following marketing intermediaries most often appear in the distribution channel:

- *Agents and brokers:* **Agents** are sales representatives of manufacturers and wholesalers, and **brokers** are entities that bring buyers and sellers together. Both agents and brokers are usually hired on commission basis by either a buyer or a seller. Agents and brokers are go-betweens whose job is to make deals. They do not own or take possession of goods.
- *Industrial distributors:* **Industrial distributors** are independent wholesalers that buy related product lines from many manufacturers and sell them to industrial users. They often have a sales force to call on purchasing agents, make deliveries, extend credit, and provide information. Industrial distributors are used in such industries as aircraft manufacturing, mining, and petroleum.
- *Wholesalers:* **Wholesalers** are firms that sell finished goods to retailers, manufacturers, and institutions (such as schools and hospitals). Historically, their function has been to buy from manufacturers and sell to retailers.
- *Retailers:* **Retailers** are firms that sell goods to consumers and to industrial users for their own consumption.

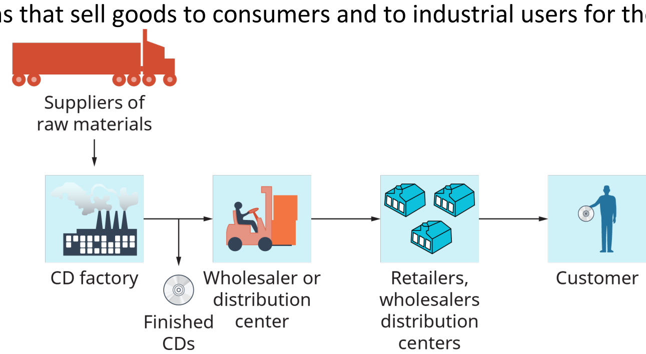

Exhibit 12.2 A Typical Supply Chain (Attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license.)
At the end of the distribution channel are final consumers and industrial users. Industrial users are firms that buy products for internal use or for producing other products or services. They include manufacturers, utilities, airlines, railroads, and service institutions such as hotels, hospitals, and schools.

Exhibit 12.3 shows various ways marketing intermediaries can be linked. For instance, a manufacturer may sell to a wholesaler that sells to a retailer that in turn sells to a customer. In any of these distribution systems, goods and services are physically transferred from one organization to the next. As each takes possession of the products, it may take legal ownership of them. As the exhibit indicates, distribution channels can handle either consumer products or industrial products.

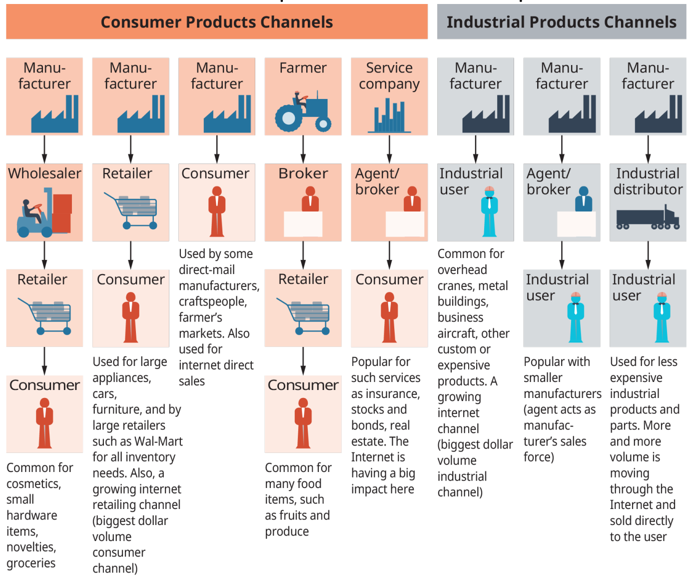

Exhibit 12.3 Channels of Distribution for B2B and Consumer Products (Attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license.)

Nontraditional Channels

Often nontraditional channel arrangements help differentiate a firm's product from the competition. For example, manufacturers may decide to use nontraditional channels such as the internet, mail-order channels, or infomercials to sell products instead of going through traditional retailer channels. Although nontraditional channels may limit a brand's coverage, they can give a producer serving a niche market a way to gain market access and customer attention without having to establish channel intermediaries. Nontraditional channels can also provide another avenue of sales for larger firms. For example, a London publisher sells short stories through vending machines in the London Underground. Instead of the traditional book format, the stories are printed like folded maps, making them an easy-to-read alternative for commuters.

Kiosks, long a popular method for ordering and registering for wedding gifts, dispersing cash through ATMs, and facilitating airline check-in, are finding new uses. Ethan Allen furniture stores use kiosks as a product locator tool for consumers and salespeople. Kiosks on the campuses of Cheney University allow students to register for classes, see their class schedule and grades, check account balances, and even print transcripts. The general public, when it has access to the kiosks, can use them to gather information about the university.

Small and medium-sized New Orleans food and beverage companies and restaurants banded together to promote their goods and establishments over the internet on a specific website at **http://www.nolacuisine.com**. They also have found that they can successfully sell their offerings through the websites of the profiled restaurants and food outlets, such as Cochon Butcher (**https://cochonbutcher.com**). With technology rapidly evolving, downloading first-run movies to mobile devices may not be far off. The changing world of technology opens many doors for new, nontraditional distribution channels.

The Functions of Distribution Channels

Why do distribution channels exist? Why can't every firm sell its products directly to the end user or consumer? Why are go-betweens needed? Channels serve a number of functions.

Channels Reduce the Number of Transactions

Channels make distribution simpler by reducing the number of transactions required to get a product from the manufacturer to the consumer. For example, if there are four students in a course and a professor requires five textbooks (each from a different publisher), a total of 20 transactions would be necessary to accomplish the sale of the books. If the bookstore serves as a go-between, the number of transactions is reduced to nine. Each publisher sells to one bookstore rather than to four students. Each student buys from one bookstore instead of from five publishers (see Exhibit 12.4).

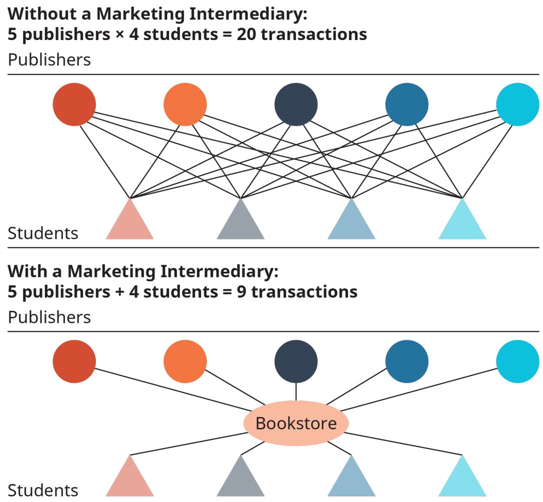

Exhibit 12.4 How Distribution Channels Reduce the Number of Transactions (Attribution: Copyright Rice University, OpenStax, under CC BY 4.0 license.)

Dealing with channel intermediaries frees producers from many of the details of distribution activity. Producers are traditionally not as efficient or as enthusiastic about selling products directly to end users as channel members are. First, producers may wish to focus on production. They may feel that they cannot both produce and distribute in a competitive way. On the other hand, manufacturers are eager to deal directly with giant retailers, such as Walmart, which offer huge sales opportunities to producers.

Channels Ease the Flow of Goods

Channels make distribution easier in several ways. The first is by *sorting,* which consists of the following:

- *Sorting out:* Breaking many different items into separate stocks that are similar. Eggs, for instance, are sorted by grade and size. Another example would be different lines of women's dresses—designer, moderate, and economy lines.
- *Accumulating:* Bringing similar stocks together into a larger quantity. Twelve large Grade A eggs could be placed in some cartons and 12 medium Grade B eggs in other cartons. Another example would be to merge several lines of women's dresses from different designers together.
- *Allocating:* Breaking similar products into smaller and smaller lots. (Allocating at the wholesale level is called **breaking bulk**.) For instance, a tank-car load of milk could be broken down into gallon jugs. The process of allocating generally is done when the goods are dispersed by region and as ownership of the goods changes.

Without the sorting, accumulating, and allocating processes, modern society would not exist. Instead, there would be home-based industries providing custom or semicustom products to local markets. In short, society would return to a much lower level of consumption.

A second way channels ease the flow of goods is by locating buyers for merchandise. A wholesaler must find the right retailers to sell a profitable volume of merchandise. A sporting-goods wholesaler, for instance, must find the retailers who are most likely to reach sporting-goods consumers. Retailers have to understand the buying habits of consumers and put stores where consumers want and expect to find the merchandise. Every member of a distribution channel must locate buyers for the products it is trying to sell. Channel members also store merchandise so that goods are available when consumers want to buy them. The high cost of retail space often means many goods are stored by the wholesaler or manufacturer.

12.3 The Competitive World of Retailing

3. What are the different kinds of retail operations?

Some 15 million Americans are engaged in retailing. Of this number, almost half work in service businesses such as barbershops, lawyers' offices, and amusement parks. Although most retailers are involved in small businesses, most sales are made by the giant retail organizations, such as Walmart, Target, and Macy's. Half of all retail sales come from fewer than 10 percent of all retail businesses. This small group employs about 40 percent of all retail workers. Retailers feel the impact of changes in the economy more than many other types of businesses. Survival depends on keeping up with changing lifestyles and customer shopping patterns. In recent years, online retailing trends have significantly impacted retailing organizations, providing more opportunity for smaller retailers and more competition for larger retailers.

Types of Retail Operations

There is a great deal of variety in retail operations. The major types of retailers are described in [Table 12.1](), which divides them into two main categories: in-store and nonstore retailing. Examples of *in-store retailing* include Walmart, Target, Macy's, and Neiman Marcus. These retailers get most of their revenue from people who come to the store to buy what they want. Many in-store retailers also do some catalog and telephone sales.

Retailing Takes Many Forms		
Types of In-Store Retailing	**Description**	**Examples**
Department store	Houses many departments under one roof with each treated as a separate buying center to achieve economies of buying, promotion, and control	Macy's, Nordstrom, Bloomingdale's, Kohl's
Specialty store	Specializes in a category of merchandise and carries a complete assortment	Toys "R" Us, Zales Jewelers
Convenience store	Offers convenience goods with long store hours and quick checkout	7-Eleven, Circle K
Supermarket	Specializes in a wide assortment of food, with self-service	Safeway, Kroger, Winn-Dixie
Discount store	Competes on the basis of low prices and high turnover; offers few services	Walmart, Target
Off-price retailer	Sells at prices 25 percent or more below traditional department store prices in a spartan environment	TJ Maxx, HomeGoods
Factory outlet	Owned by manufacturer; sells closeouts, factory seconds, and canceled orders	Levi Strauss, Dansk
Catalog store	Sends catalogs to customers and displays merchandise in showrooms where customers can order from attached warehouse	Ikea
Types of Nonstore Retailing	**Description**	**Examples**
Vending machine	Sells merchandise by machine	Canteen
Direct selling	Sells face-to-face, usually in the person's home	Avon, Amway
Direct-response marketing	Attempts to get immediate consumer sale through media advertising, catalogs, pop-up ads, or direct mail	K-Tel Music, Ronco
Home shopping networks	Selling via cable television	Home Shopping Network, QVC
Internet retailing (e-retailing)	Selling over the internet	Bluefly.com, landsend.com, gap.com, Amazon.com,

Retailing Takes Many Forms		
Types of In-Store Retailing	**Description**	**Examples**
		Wayfair.com, Dell.com

Table 12.1

Nonstore retailing includes vending, direct selling, direct-response marketing, home shopping networks, and internet retailing. Vending uses machines to sell food and other items, usually as a convenience in institutions such as schools and hospitals.

Atmosphere and Retail Image

In considering retailing as a distribution strategy (place in the 5Ps), it is important to understand that place includes more than channel members or logistics. It also includes atmospherics—the image of the actual retailing store (or, in the case of nonstore retailing, the platform from which the product is offered, such as a website or vending machine). An important task in retailing is to create this image. Marketers combine the store's merchandise mix, service level, and atmosphere to make up a retail image. *Atmosphere* refers to the physical layout and décor of the store. They can create a relaxed or busy feeling, a sense of luxury, a friendly or cold attitude, and a sense of organization or clutter.

These are the most influential factors in creating a store's atmosphere:

- *Employee type and density:* Employee type refers to an employee's general characteristics—for instance, neat, friendly, knowledgeable, or service-oriented. Density is the number of employees per 1,000 square feet of selling space. A discount retailer such as Target has a low employee density that creates a "do-it-yourself" casual atmosphere.
- *Merchandise type and density:* The type of merchandise carried and how it is displayed add to the atmosphere the retailer is trying to create. A prestigious retailer such as Saks or Nordstrom carries the best brand names and displays them in a neat, uncluttered arrangement. Other retailers such as Dollar Tree may display goods in a more cluttered, crowded, disheveled way because their target market (lower-income individuals) equates clutter with open markets (and with lower prices and "deals").
- *Fixture type and density:* Fixtures can be elegant (rich woods) or trendy (chrome and smoked glass), or they can be old, beat-up tables, as in an antique store. The fixtures should be consistent with the general atmosphere the store is trying to create. By displaying its merchandise on tables and shelves rather than on traditional pipe racks, the Gap creates a relaxed and uncluttered atmosphere that enables customers to see and touch the merchandise more easily. In addition to traditional display racks, Cabela's retail stores feature two 5,000-gallon aquariums stocked with carp, trout, and other fish and a diorama featuring elephants, lions, zebras, hyenas, and other animals. A typical Cabela's has several million customers a year. It is not unusual for someone to drive many miles to get to a Cabela's, where you can often see license plates from many states and Canadian provinces.[1]
- *Sound:* Sound can be pleasant or unpleasant for a customer. Classical music at a nice Italian restaurant helps create ambiance, just as country and western music does at a truck stop. Music can also entice customers to stay in the store longer and buy more, or it can encourage them to eat quickly and leave a table for others.
- *Odors:* Smell can either stimulate or detract from sales. The wonderful smell of pastries and breads entices bakery customers, as does the smell of freshly brewed coffee in a shopping mall. Conversely, customers can be repulsed by bad odors, such as cigarette smoke, musty smells, antiseptic odors, and overly powerful room deodorizers.

12.4 Using Supply Chain Management to Increase Efficiency and Customer Satisfaction

4. How can supply-chain management increase efficiency and customer satisfaction?

Distribution (place) is an important part of the marketing mix. Retailers don't sell products they can't deliver, and salespeople don't (or shouldn't) promise deliveries they can't make. Late deliveries and broken promises may mean the loss of a customer. Accurate order filling and billing, timely delivery, and arrival in good condition are important to the success of the product.

The goal of supply-chain management is to create a satisfied customer by coordinating all of the activities of the supply-chain members into a seamless process. Therefore, an important element of supply-chain management is that it is completely customer driven. In the mass-production era, manufacturers produced standardized products that were "pushed" through the supply channel to the consumer. In contrast, in today's marketplace, products are being driven by customers, who expect to receive product configurations and services matched to their unique needs. For example, Dell builds computers according to its customers' precise specifications, such as the amount of memory, type of monitor, and amount of hard-drive space. The process begins with Dell purchasing partly built laptops from contract manufacturers. The final assembly is done in Dell factories in Ireland, Malaysia, or China, where microprocessors, software, and other key components are added. Those finished products are then shipped to Dell-operated distribution centers in the United States, where they are packaged with other items and shipped to the customer.

Through the channel partnership of suppliers, manufacturers, wholesalers, and retailers along the entire supply chain who work together toward the common goal of creating customer value, supply-chain management allows companies to respond with the unique product configuration demanded by the customer. Today, supply-chain management plays a dual role: first, as a *communicator* of customer demand that extends from the point of sale all the way back to the supplier, and second, as a *physical flow process* that engineers the timely and cost-effective movement of goods through the entire supply pipeline.

Accordingly, supply-chain managers are responsible for making channel strategy decisions, coordinating the sourcing and procurement of raw materials, scheduling production, processing orders, managing inventory, transporting and storing supplies and finished goods, and coordinating customer-service activities. Supply-chain managers are also responsible for the management of information that flows through the supply chain. Coordinating the relationships between the company and its external partners, such as vendors, carriers, and third-party companies, is also a critical function of supply-chain management. Because supply-chain managers play such a major role in both cost control and customer satisfaction, they are more valuable than ever.

For products that are services, the distribution channel is based primarily on location of the services, such as where the company has its headquarters; the layout of the area in which the service is provided (for example, the interior of a dry cleaners' store); alternative locations for the presentation of services, such as an architect visiting a client's site location; and elements of atmosphere, such as dark wooden bookcases for bound legal volumes in an attorney's office, which provide credibility. Services companies also utilize the traditional entities of distribution for any actual goods they sell or supplies they must purchase.

12.5 Promotion Strategy

5. What is promotion, and what are the key elements of a promotional mix?

Promotion is an attempt by marketers to inform, persuade, or remind consumers and B2B users to influence their opinion or elicit a response. Most firms use some form of promotion. Because company goals vary widely, so do promotional strategies. The goal is to stimulate action from the people or organizations of a target market. In a profit-oriented firm, the desired action is for the consumer to buy the promoted item. Mrs. Smith's, for instance, wants people to buy more frozen pies. Not-for-profit organizations seek a variety of actions with their promotions. They tell us not to litter, to buckle up, to join the military, or to attend the ballet. (These are examples of products that are ideas marketed to specific target markets.)

Promotional goals include creating awareness, getting people to try products, providing information, retaining loyal customers, increasing the use of products, and identifying potential customers, as well as teaching potential service clients what is needed to "co-create" the services provided. Any promotional campaign may seek to achieve one or more of these goals:

1. *Creating awareness:* All too often, firms go out of business because people don't know they exist or what they do. Small restaurants often have this problem. Simply putting up a sign and opening the door is rarely enough. Promotion through ads on social media platforms and local radio or television, coupons in local papers, flyers, and so forth can create awareness of a new business or product.

Large companies often use catchy slogans to build brand awareness. For example, Dodge's wildly successful ads where a guy in a truck yells over to another truck at a stoplight, "Hey, that thing got a Hemi?" has created a huge number of new customers for Dodge trucks. Hemi has become a brand within a brand. Now, Chrysler is extending the Hemi engine to the Jeep brand, hoping for the same success.

2. *Getting consumers to try products:* Promotion is almost always used to get people to try a new product or to get nonusers to try an existing product. Sometimes free samples are given away. Lever, for instance, mailed over two million free samples of its Lever 2000 soap to targeted households. Coupons and trial-size containers of products are also common tactics used to tempt people to try a product. Celebrities are also used to get people to try products. Oprah Winfrey, for example, recently partnered with Kraft Heinz to launch a new line of refrigerated soups and side dishes made with no artificial flavors or dyes. Kate Murphy, director of strategic partnerships at the social marketing platform Crowdtap, weighed in on the strategy. "Celebrity endorsements can provide immense value to a product/brand when done right," Murphy said. "If a celebrity aligns with a product, they bring a level of trust and familiarity to the table."[2]
3. *Providing information:* Informative promotion is more common in the early stages of the product life cycle. An informative promotion may explain what ingredients (for example, fiber) will do for a consumer's health, describe why the product is better (for example, high-definition television versus regular television), inform the customer of a new low price, or explain where the item may be purchased.

People typically will not buy a product or support a not-for-profit organization until they know what it will do and how it may benefit them. Thus, an informative ad may stimulate interest in a product. Consumer watchdogs and social critics applaud the informative function of promotion because it helps consumers make more intelligent purchase decisions. StarKist, for instance, lets customers know that its tuna is caught in dolphin-safe nets.

4. *Keeping loyal customers:* Promotion is also used to keep people from switching brands. Slogans such as Campbell's soups are "M'm! M'm! Good!" and "Intel Inside" remind consumers about the brand. Marketers also remind users that the brand is better than the competition. For years, Pepsi has claimed it has the taste that consumers prefer. Southwest Airlines brags that customers' bags fly free. Such **advertising** reminds customers about the quality of the product or service. Firms can also help keep customers loyal by telling them when a product or service is improved. Domino's recently aired candid advertisements about the quality of their product and completely revamped their delivery operations to improve their service. This included advertisements highlighting a Domino's pizza being delivered by reindeer in Japan and by drone in New Zealand. According to University of Maryland marketing professor Roland Rust, "delivery" stands out in how Domino's has broadly improved its quality, and "the customized delivery vehicles are a competitive advantage."
5. *Increasing the amount and frequency of use:* Promotion is often used to get people to use more of a product and to use it more often. The National Cattlemen's Beef Association reminds Americans to "Eat More Beef." The most popular promotion to increase the use of a product may be frequent-flyer or -user programs. The Marriott Rewards program awards points for each dollar spent at a Marriott property. At the Platinum level, members receive a guaranteed room, an upgrade to the property's finest available accommodations, access to the concierge lounge, a free breakfast, free local phone calls, and a variety of other goodies.[4]
6. *Identifying target customers:* Promotion helps find customers. One way to do this is to list a website as part of the promotion. For instance, promotions in *The Wall Street Journal* and *Bloomberg Businessweek* regularly include web addresses for more information on computer systems, corporate jets, color copiers, and other types of business equipment to help target those who are truly interested. Fidelity Investments ads trumpet, "Solid investment opportunities are out there," and then direct consumers to go to **http://www.fidelity.com.** A full-page ad in *The Wall Street Journal* for Sprint unlimited wireless service invites potential customers to visit **http://www.sprint.com.** These websites typically will ask for your e-mail address when you seek additional information.
7. *Teaching the customer:* For service products, it is often imperative to actually teach the potential client the reasons for certain parts of a service. In services, the service providers work with customers to perform the service. This is called "co-creation." For example, an engineer will need to spend extensive time with team members from a client company and actually teach the team members what the design process will be, how the interaction of getting information for the design will work, and at what points each part of the service will be delivered so that ongoing changes can be made to the design. For services products, this is more involved than just providing information—it is actually teaching the client.

12.6 The Huge Impact of Advertising

6. How are advertising media selected?

Most Americans are bombarded daily with advertisements to buy things. **Traditional advertising** is any paid form of nonpersonal presentation by an identified sponsor. It may appear on television or radio; in newspapers, magazines, books, or direct mail; or on billboards or transit cards. In the United States, children between the ages of two and 11 are exposed to more than 25,600 exposures to advertising through TVs and online exposures a year. Adults are exposed to three times as many—more than two million commercials in a lifetime.[6]

The money that big corporations spend on advertising is mind-boggling. Total advertising expenses in this country were estimated at more than $206 billion in 2017.[7] Global advertising expenditures are approximately $546 billion annually.[8] General Motors is America's largest advertiser, spending over $3.1 billion annually. This is slightly over $350,000 per hour, seven days a week, 24 hours per day. America's biggest global spender on advertising is Procter & Gamble at $4.6 billion.[9]
Nissan was a sponsor of the 2016 Rio Olympic Games and provided 5,000 vehicles for the events. Ads for the 2018 Super Bowl cost between $5 million and $5.5 million for a 30-second commercial. A 30-second spot on NBC's *Sunday Night Football* costs about $650,000.

The Impact of Technology and the Internet on Traditional Advertising

Many new media are not hardwired or regulated, and digital technology is delivering content anytime, anywhere. Cable, satellite, and the internet have highly fragmented audiences, making them tougher than ever to reach. In the late 1950s, *Gunsmoke* on CBS captured a 65 percent share of the TV audience nearly every Saturday night. Only one event, the Super Bowl, has a chance to do that now.

Traditional forms of entertainment are being rapidly digitized. Magazines, books, movies, shows, and games can be accessed through a laptop or a cell phone. In 2017, 93 million U.S. homes have broadband connections—nearly as many as the 119.6 million that now have cable and satellite hookups.
Technology is driving many of the changes, but so is consumer behavior. Advertiser questions abound. How do you market a product

to young people when millions of them are glued to video game screens instead of TVs? How do you reach TV audiences when viewers can TiVo their way past your ads? How do you utilize social media to get the word out about your product, and once you do, how do you control the message if something goes viral? What role do influencers play in promoting products and services via various electronic platforms? What should you make of blogs? How do you plan a website that fosters sales and continually provides information and other forms of value for your customers? Product placements in films and streaming content? Podcasts? We will touch on each of these later in the chapter.

Choosing Advertising Media
The channels through which advertising is carried to prospective customers are the **advertising media**. Both product and institutional ads appear in all the major advertising media. Each company must decide which media are best for its products. Two of the main factors in making that choice are the cost of the medium and the audience reached by it.

Advertising Costs and Market Penetration
Cost per contact is the cost of reaching one member of the target market. Naturally, as the size of the audience increases, so does the total cost. Cost per contact enables an advertiser to compare media vehicles, such as television versus radio or magazine versus newspaper, or, more specifically, *Forbes* versus *The Wall Street Journal.* An advertiser debating whether to spend local advertising dollars for TV spots or radio spots could consider the cost per contact of each. The advertiser might then pick the vehicle with the lowest cost per contact to maximize advertising punch for the money spent. Often costs are expressed on a **cost per thousand (CPM)** contacts basis.

Reach is the number of different target consumers who are exposed to a commercial at least once during a specific period, usually four weeks. Media plans for product introductions and attempts at increasing brand awareness usually emphasize reach. For example, an advertiser might try to reach 70 percent of the target audience during the first three months of the campaign. Because the typical ad is short-lived and often only a small portion of an ad may be perceived at one time, advertisers repeat their ads so consumers will remember the message. **Frequency** is the number of times an individual is exposed to a message. Average frequency is used by advertisers to measure the intensity of a specific medium's coverage.

12.9 Public Relations Helps Build Goodwill

9. How does public relations fit into the promotional mix?

Like sales promotion, public relations can be a vital part of the promotional mix. **Public relations** is any communication or activity designed to win goodwill or prestige for a company or person. This could include **publicity**, information about a company or product that appears in the news media and is not directly paid for by the company. Publicity can be good or bad. Reports of children overeating fast food, which can lead to obesity, is an example of negative publicity. Public relations includes many other activities, such as lobbying, event planning, acting as a press agent, managing internal communication, and coordinating crisis management for communications.

Naturally, firms' public relations departments try to create as much good publicity as possible. They furnish company speakers for business and civic clubs, write speeches for corporate officers, and encourage employees to take active roles in such civic groups as the United Way and the Chamber of Commerce. One of the tools of the public relations department is the *press release,* a formal announcement of some newsworthy event connected with the company, such as the start of a new program, the introduction of a new product, or the opening of a new plant. Public relations departments may perform any or all of the functions described in **Table 12.3**.

The Functions of a Public Relations Department	
Public Relations	**Function Description**
Press relations	Placing positive, newsworthy information in the news media to attract attention to a product, a service, or a person associated with the firm or institution
Product publicity	Publicizing specific products or services
Corporate communications	Creating internal and external messages to promote a positive image of the firm or institution

The Functions of a Public Relations Department	
Public Relations	**Function Description**
Public affairs	Building and maintaining national or local community relations
Lobbying	Influencing legislators and government officials to promote or defeat legislation and regulation
Employee and investor relations	Maintaining positive relationships with employees, shareholders, and others in the financial community
Crisis management	Responding to unfavorable publicity or a negative event

Table 12.3

Much of sales promotion and publicity is about creating buzz. Buzz marketing (or viral marketing) is intense word-of-mouth marketing. Word-of-mouth is essentially a linear process with information passing from one individual to another, then to another. A marketer has successfully created a buzz when the interactions are so intense that the information moves in a matrix pattern rather than a linear one and everyone is talking about the topic. Leading-edge firms now feel that they get more bang for their buck using buzz marketing than other forms of promotion.

12.10 Trends in Social Media

10. What is social media, and how has it changed promotion?

Advances in technology continue to change the marketing landscape. As you will see in the following sections, marketers are harnessing new technology to hone their marketing message and reach more customers.

The business world now relies on the internet for much of its communications, marketing or otherwise. Almost all companies have Facebook accounts, and individual leaders of companies have separate individual accounts on Linked In, Twitter, Instagram, and other social media sites. New social media sites are popping up almost every week. The phenomenon of social media has created a business climate in which thousands of impressions can be made with one social media post. That impression could be positive or negative. Within social media, there are “stars” of social media—individuals who have developed audiences in the millions who follow their posts every day. **Social media** is a hugely powerful tool for marketers. It has it challenges, though, because the platforms are constantly changing and evolving. Also, the audiences being reached often read (or view) and believe the messages seen on various social media platforms without understanding the context of the message. A social media post that goes viral can close down a business, even if the post is not true. That’s what makes social media the newest challenge/opportunity for marketers. Companies that want to retain market share and build their image must develop tactics for the use of social media and for defending against problems created by the use of this powerful marketing tool.

Promotion through Blogs

Blogs provide marketers with a real-time dialogue with customers and an avenue to promote their products or services. A *blog* is an online journal with regularly updated content. This content is pushed to subscribers by RSS (really simple syndication) or e-mail and allows for response and discussion from site visitors. RSS enables users to automatically gather updates from various websites, especially news sites and blogs, and display headlines and a brief summary of those updates in a single location. Blogs can be considered to be offerings of social media unless the site is actually part of the company’s main web page.

Well-run marketing blogs usually focus tightly on one niche area, product line, or vertical market segment. The aim is to provide the blog’s readers with a constantly renewing source of news and insight about that topic. About 366 million blogs are registered on Tumblr, and more than 23 million blog entries are posted daily.

Many companies have set up their own blogs, including General Motors, Apple, the American Cancer Society, and Microsoft, to name a few. These companies blog because they: (1) get real-time input from customers and prospects; (2) create and maintain relationships; (3) can have a continuing dialogue with loyal customers and prospective clients; and (4) can zero in on specific marketing goals. For example, Disney uses a blog called Disney Baby to cater to the needs of new mothers. Each of their bloggers has a personal bio that helps provide a connection for the new mother to the blogger and provides a deeper connection to the Disney

brand.
Firms can also use emerging search tools such as BlogPulse, Feedster, PubSub, and Technorati to monitor conversations about their company and brands. A public relations department might then decide to feed new-product information to bloggers who are evangelists for their brand.

Advertisers Jump on Podcasts and Videos
Podcasts are basically blogs with a multimedia file. The trend developed when a new version of iTunes software made it easy for people to create their own podcasts and post them on a website. There are more than 8,000 podcasters in the United States. Besides individuals, companies are beginning to do their own podcasts as well as posting videos from the company on YouTube as another marketing channel. For listeners, the advantage of a podcast is convenience. Companies now have the ability to use streaming video, which potential customers can download to their mobile devices; for example, ABC News offering a digital version of its programming. The customers' favorite programs download automatically from the internet, usually free of charge, and they can listen to the programs any time they wish. They can also listen wherever they wish, if they have a mobile device to receive the downloads.

Gimlet Media is one of the nation's largest podcasters, offering material from nearly 40 different stations as podcasts. At first ad-free, Gimlet's podcasts are done for direct-to-consumer companies like Blue Apron, as well as for traditional advertisers like Pepsi and Ford. Gimlet now includes a short advertisement before the programming—short enough that people won't fast-forward through it. Gimlet also received a $5 million investment from advertising giant WPP, a clear sign that the business community sees a bright future in podcasts.

Pet owners can go to **http://www.purina.com** and opt in to receive Purina's podcasts. The products will offer advice ranging from animal training to pet insurance to nutrition for older pets. Weekly tips will also be sent on things such as how to help your dog lose weight. Owners spend close to $25 billion a year on pet food. The aim of the podcasts is to build brand loyalty with a soft sell.

Videos have become another important promotions channel. Literally hundreds of thousands of videos can be viewed on YouTube, the top video-hosting site on the internet. Many people now log in to YouTube to watch videos on a particular product and how the product can be used. Entrepreneurs and other small-business owners have made extensive use of YouTube to provide value to their customers by creating and uploading informational videos that highlight their products.

12.11 Trends in E-Commerce

11. What is e-commerce, and how has it affected the retail sector?

E-commerce is related to social media and other new online platforms because it utilizes the internet for marketing communication. **E-commerce** refers to the development and maintenance of a company's website and the facilitation of commerce on the website, such as the ability for customers to order products online, to get questions answered about products, and for the company to introduce new products and ideas. E-commerce can include special components designed specifically for separate target market segments, such as information boxes or games. Anything associated with an actual company website related to marketing can be considered e-commerce.

Estimates by various researchers say that more than half of all retail sales involve an online component; direct internet purchases in 2016 were more than 13 percent of *all* retail sales, and that percentage will continue to grow.[21] Why? One reason is the economics of shopping. Think about time spent engaged in making a purchase in a brick-and-mortar location: the cost of fuel, finding a parking spot, locating your intended store, deciding on a purchase, and then driving home. Now think about the time spent reviewing products on a website, deciding what to purchase, and clicking a mouse or swiping a mobile device screen—it takes no time at all! Countless small businesses have taken the plunge to serve the growing army of online shoppers. Many e-commerce businesses, including e-jeweler Blue Nile, luggage site eBags, and shoe and accessory retailer Zappos, are experiencing sales of $100 million a year or more. The increasing sophistication of search technology and comparison-shopping sites have allowed online businesses to market their products to millions of potential customers cheaply and effectively. Often, these innovations are bringing less-well-known brands and merchants to consumers' attention.

Online merchants can offer a far broader array of merchandise than specialty brick-and-mortar retailers because they don't have to keep the products on store shelves. In response to this challenge, traditional retailers are turning to technology to gain an advantage, outfitting their sales associates with voice headgear so they can look up prices and product information to assist customers.
After a slow start, the world's largest retailer, Walmart, has begun moving into e-retailing in a big way. It is now in almost every major category of web-related consumer commerce. It is estimated that Walmart has approximately 200 million items across all of

its outlets, compared to 300 million items available through Amazon. The company has taken some innovative steps to leverage the web to drive people to its stores. In 2016, CEO Doug McMillon purchased Jet.com for $3.3 billion and put Jet.com's CEO Mark Lore in charge of running Walmart's online business. A case in point is the company's online tire service, which allows you to order automobile tires to be picked up and mounted at a Walmart tire center. Customers can order prescription refills for delivery by mail or for pickup at a Walmart pharmacy department. Walmart's online photo service, in addition to providing a way to store pictures on the web, allows customers to send digital pictures to be printed in a Walmart store of their choice, with a one-hour turnaround.